

CHINA

Economic Freedom Score



World Rank: **144**

Regional Rank: **31**

Over the past year, the Chinese economy has undergone a period of financial market volatility and economic slowdown. Deep-seated structural problems, including continued overreliance on public investment and exports for growth, a state-controlled financial sector, and regulatory inefficiency, have become more acute. Debt at various levels of the economy has been piling up as well, posing risks to long-term economic expansion.

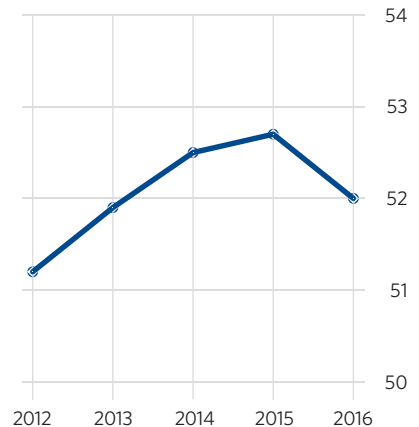
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **52.0 (down 0.7 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **144th**
- Regional Ranking: **31st in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **+0.8**

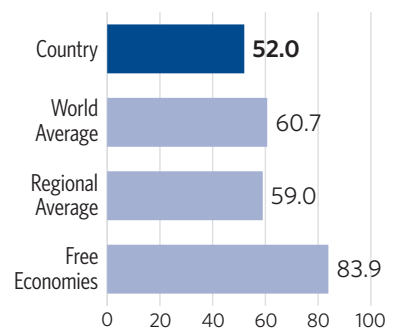
The Communist Party leadership occasionally emphasizes the need to embrace market principles to ensure China's ongoing economic transformation and development. However, beyond nominal openness to trade and investment, genuinely liberalizing reform measures have not been undertaken, and policies continue to favor the status quo and promotion of the party's interests. China's judicial system remains vulnerable to political influence.

BACKGROUND: After over two years in power, Communist Party General Secretary Xi Jinping's regime has failed to produce any significant progress in economic "rebalancing" from state-owned enterprises and local governments to the household sector. The government has recently backtracked on measures to limit borrowing from provincial and local governments. With a population of almost 1.5 billion people, the Chinese economy rivals that of the United States in overall size. While official measures have the economy growing at a reduced rate of 7 percent–7.5 percent, there is evidence that actual growth is even slower.

Freedom Trend



Country Comparisons



Quick Facts

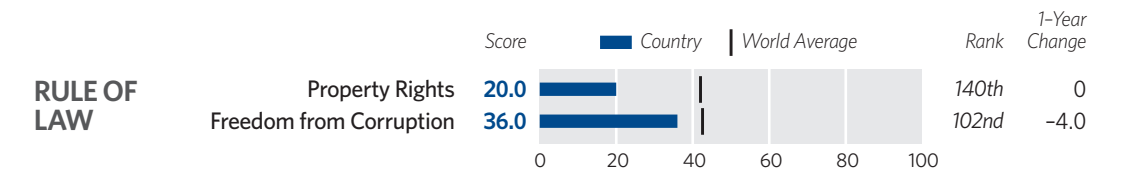
Population: 1.4 billion
GDP (PPP): \$17.6 trillion
 7.4% growth in 2014
 5-year compound annual growth 8.5%
 \$12,880 per capita
Unemployment: 4.7%
Inflation (CPI): 2.0%
FDI Inflow: \$128.5 billion
Public Debt: 41.1% of GDP

How Do We Measure Economic Freedom?

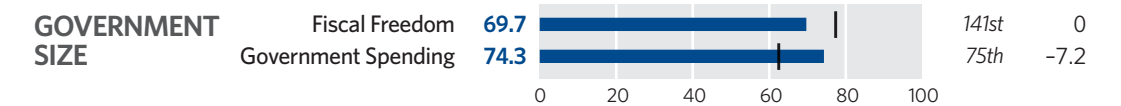
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

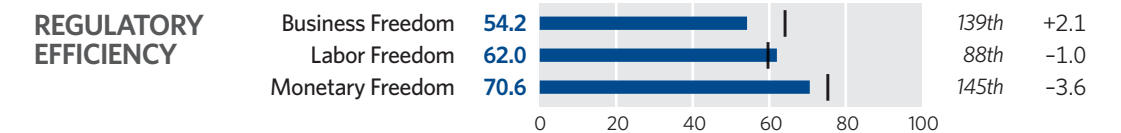
THE TEN ECONOMIC FREEDOMS



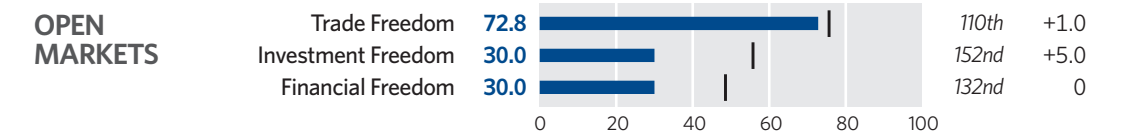
Xi Jinping’s anti-corruption campaign is much broader and more intense than anyone could have expected. In his administration’s first 18 months, nearly a quarter-million officials and others were held in detention or formally charged with corruption. Some 100 have died or committed suicide. Protection of property rights continues to erode as foreign multinationals feel pressure to transfer their intellectual property to do business in China.



The top personal income tax rate is 45 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and a real estate tax. The overall tax burden equals 19.4 percent of total income. Government spending amounts to 29.3 percent of GDP. Reported public debt is estimated to equal about 41 percent of GDP, but large amounts of debt are held in off-budget obligations.



The overall regulatory framework remains complex and arbitrary. Completing licensing requirements costs over three times the level of average annual income. The labor regime remains repressive. In May 2015, the government announced a program of tax breaks and subsidies aimed at creating jobs and promoting entrepreneurship. The government has also set up a 40 billion yuan fund to help emerging market sectors of the economy.



China’s average tariff rate is 3.6 percent. Numerous non-tariff barriers interfere with trade. The government screens foreign investment. State-owned enterprises significantly distort the economy. The state continues its tight control of the financial system as its primary means for managing the rest of the economy. The government owns all large financial institutions, which lend according to state priorities and directives.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	-0.9	Business Freedom	-0.8	Trade Freedom	+52.8
Freedom from Corruption	+6.0	Government Spending	-19.4	Labor Freedom	-3.0	Investment Freedom	-20.0
				Monetary Freedom	+2.2	Financial Freedom	-20.0